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Message Text

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C O N F I D E N T I A L ROME 16968

LIMDIS GREENBACK

E.O. 11652: GDS
TAGS: EFIN, IT
SUBJECT: OSSOLA VIEWS ON MONETARY RESULTS OF BIG-SIX SUMMIT

SUMMARY. BANK OF ITALY DIRECTOR GENERAL OSSOLA WAS VERY PLEASED WITH OUTCOME OF MONETARY ASPECTS OF BIG SIX SUMMIT. HE THOUGHT THAT MAJOR IMPEDIMENTS TO RESOLUTION OF INTER-NATIONAL MONETARY REFORM ISSUES HAVE NOW BEEN REMOVED PAVING WAY FOR DECISION BY IMF INTERIM COMMITTEE AT JAMAICA IN JAN-UARY. END SUMMARY

1. TREASATT SAW BOI DIRECTOR GENERAL OSSOLA ON NOVEMBER 19
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TO ASK ABOUT OSSOLA'S IMPRESSIONS OF RAMBOUILLET BIG SIX

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SUMMIT MEETING. OSSOLA WAS VERY PLEASED WITH SUBSTANTIAL PROGRESS MADE IN RESOLVING BOTH GOLD AND FOREIGN EXCHANGE REGIME ISSUES. HE THOUGHT IT SHOULD NOT BE DIFFICULT TO OBTAIN CONCURRENCE ON THESE MATTERS FROM G-10 MINISTERS AT MEETING SCHEDULED FOR DECEMBER 19 IN PARIS. HE HOPED THAT IMF STAFF COULD THEN PROMPTLY PREPARE NECESSARY TEXTS FOR CONSIDERATION AND APPROVAL BY INTERIM COMMITTEE IN JAMAICA. OSSOLA WAS A LITTLE CONCERNED LEST IMF LAWYERS AND MANAGING DIRECTOR MIGHT TAKE TOO TECHNICAL OR LEGALISTIC APPROACH TO PROBLEM, CAUSING UNNECESSARY DELAY. HOWEVER, HE ASSUMED THAT US AND FRANCE WOULD FOLLOW-UP WITH IMF TO INSURE THAT THEIR COMPROMISE AGREMENT MOVED FORWARD IN TIMELY FASHION.

2. ON GOLD QUESTION OSSOLA WAS PARTICULARLY PLEASED THAT US HAD ACCEPTED SIMULTANEOUS APPLICATION OF ALL PARTS OF AUGUST GOLD COMPROMISE AGREEMENT, SINCE HE HAD PREVIOUSLY BEEN FEARFUL THAT THIS ISSUE WOULD UNDERCUT ENTIRE MONETARY COMPROMISE PACKAGE. HE INDICATED THAT THERE WAS AGREEMENT TO MOVE FORWARD AS QUICKLY AS POSSIBLE SO THAT AUGUST ACCORD COULD BE IMPLEMENTED EVEN BEFORE RATIFICATION OF AMENDMENTS OF IMF ARTICLES, IF THERE WERE AGREEMENT IN INTERIM COMMITTEE TO DO SO. OSSOLA THOUGHT THAT US HAD STRUCK GOOD BARGAIN WITH FRENCH WHO, IN RETURN FOR GOLD COMPROMISE, HAD IN EFFECT ACCEPTED US POSITION ON EXCHANGE RATE REGIME.

3. OSSOLA DESCRIBED COMPROMISE ON FUTURE EXCHANGE RATE REGIME AS EMBODYING TWO STEPS: (1) AS SOON AS IMF AMENDMENTS HAVE BEEN RATIFIED, EACH MEMBER COUNTRY WOULD BE ASKED TO OPT FOR ONE OF THREE REGIMES: PAR VALUE, PARTICIPATION IN "SNAKE," OR INDIVIDUAL FLOAT; (2) SUBSEQUENTLY, IMF COULD AT ANY TIME DECIDE TO RE-INTRODUCE PAR VALUE SYSTEM, SUBJECT TO 89 PERCENT MAJORITY VOTE WHICH WOULD, IN EFFECT, GIVE US VETO OVER ANY SUCH DECISION. OSSOLA SAID THAT PRECISE PROCEDURES FOR IMPLEMENTING US-FRENCH AGREEMENT ON EXCHANGE MARKET INTERVENTION AMONG CENTRAL BANKS, DEPUTY MINISTERS AND MINISTERS WOULD BE CARRIED OUT, WHICH COUNTRIES WOULD PARTICIPATE AND IN WHICH FORUM OR FORA CONSULTATIONS WOULD TAKE PLACE. ACCORDING TO OSSOLA, AGREEMENT TO INTERVENE TO DAMPEN "ERRATIC" EXCHANGE MOVEMENTS WOULD PERMIT EACH COUNTRY TO DETERMINE FOR ITSELF WHICH MOVEMENTS WERE "ERRATIC." IT WAS NOT CLEAR HOW CONFIDENTIAL

PROBLEM WOULD BE RESOLVED IF MONETARY AUTHORITIES OF TWO CURRENCIES INVOLVED DID NOT AGREE ON NATURE OF EXCHANGE RATE MOVEMENT.

4. OSSOLA TOLD TREASATT THAT HE HAD BEEN ASSIGNED RESPONSIBILITY TO DE-BRIEF SWISS, SWEDES AND CANADIANS ABOUT MONETARY ASPECTS OF SUMMIT AGREEMENTS AND HAD DONE SO. SIMILARILY, TREASURY MINISTER COLOMBO, AS CURRENT CHAIRMAN OF EC FINANCE

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MINISTERS, LED BRIEFING DURING NOVEMBER 17 EC FINANCE MINISTERS MEETING IN BRUSSELS OF EC MEMBERS WHICH HAD NOT BEEN PRESENT AT RAMBOUILLET. BEAUDRY

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